

Army Acquisition Reform Newsletter



Volume 5, Issue 20

18 October 1999

Army Acquisition Reform Web Site: <http://acqnet.sarda.army.mil/acqref/default.htm>
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IMPAC/VISA FOR VENDOR PAYMENTS - AN INNOVATIVE APPROACH

The Fort Lee Directorate of Contracting is recognized for their innovative approach to use the IMPAC/VISA government purchase card as a method of payment for food services and cable TV services. The contracting officer successfully executed supplemental agreements to the existing contracts.

The food service contract is an indefinite delivery/indefinite quantity contract, awarded to a small disadvantaged business contractor through the Small Business Administration's 8(a) Program. The vendor invoiced twice a month. Vendor payments averaged 21-22 days to process. Using IMPAC/VISA, payment to the vendor now averages 48 hours. Defense Finance and Accounting Service (DFAS) processes one invoice per month to reimburse the bank for all IMPAC payments made to the food service vendor during a 30-day period.

The improved payment process was an incentive to the vendor to provide a greater discount. Initially, the vendor offered 0.5% discount for invoices paid within 10 days. When the contract was modified to authorize payment with IMPAC, the vendor voluntarily increased the prompt payment discount to 0.75%. Fort Lee earned \$12,500 in prompt payment discounts during the first six months.

Fort Lee also used IMPAC/VISA to streamline the payment process for cable service and to significantly reduce DFAS processing fees. The contract for cable service has 30 separate lines of accounting.

Under the traditional payment system, DFAS processing fees averaged \$750 per month (\$25 x 30 lines of accounting) for a total cost of \$9,000 per year. Using IMPAC/VISA for payments, DFAS fees are based on a single line of accounting for one invoice per month to reimburse the bank. Monthly DFAS processing fees average \$25 versus \$750.

In addition to the above cost savings, Fort Lee earns cash rebates from the bank, based on the number of days between IMPAC/VISA payments to the vendor and reimbursement by DFAS. Bank rebates totaled \$18,035 during the first six-month period using IMPAC for vendor payments.

Overall savings and cost benefits to Fort Lee and the Army are threefold: (1) Vendor payments average 48 hours versus 21-22 days; (2) Less paperwork and a streamlined payment process; one invoice per month to DFAS versus multiple vendor invoices; (3) Reduced administrative costs, increased prompt payment discounts and bank rebates.

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